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Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 EB-08 FRB-03 INR-07
NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02
LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-06 CEA-01
L-03 H-01 PA-01 PRS-01 /088 W
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R 181651Z JAN 78
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INFO USDOC WASHDC
USDA FAS WASHDC
AMEMBASSY WARSAW
AMEMBASSY BELGRADE
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY BUCHAREST
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USEEC

E.O. 11652: N/A
TAGS: ECON, GE
SUBJECT: GDR ECONOMIC PERFORMANCE: GROWTH UP IN '77

1. OFFICIAL DATA PUBLISHED JANUARY12 CLAIM A GENERALLY STRONG PERFORMANCE FOR THE ECONOMY IN 1977. NATIONAL INCOME WAS UP BY 5.2 PERCENT, A REMARKABLE, IF NOT UNBELIEVABLE, FEAT FOR A COUNTRY BESET WITH
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A VARIETY OF ECONOMIC DIFFICULTIES, PARTICULARLY IN THE INTERNATIONAL ECONOMIC SPHERE. GROWTH IN NATIONAL INCOME FELL SHORT, HOWEVER, OF THE PLAN TARGET OF 5.5 PERCENT. AGRICULTURAL PRODUCTION RECOVERED FROM THE LOW LEVELS REACHED DURING THE 1976 DROUGHT, ALTHOUGH THE PRODUCTION OF GRAIN WAS DISAPPOINTINGLY LOW. INDUSTRIAL PRODUCTION, MEANWHILE, SLACKENED FOR THE

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THIRD YEAR IN A ROW, ALTHOUGH THE REPORTED RATE OF GROWTH REMAINS HIGH BY CURRENT WORLD STANDARDS.

2. GROWTH IN GDR INDUSTRIAL PRODUCTION WAS REPORTED AT 5.4 PERCENT, DOWN FROM 5.9 PERCENT IN 1976 AND 6.4 PERCENT IN 1975, WHILE THE GROWTH RATE OF CENTRALLY-ADMINISTERED INDUSTRY DROPPED FROM 6.6 PERCENT IN 1976 TO 5.6 PERCENT. THE BULK OF THE GROWTH IN INDUSTRIAL PRODUCTION WAS ATTRIBUTED TO INCREASES IN PRODUCTIVITY, WHICH ROSE BY 5.2 PERCENT IN 1977. INDUSTRIAL PRODUCTION AND PRODUCTION OF CENTRAL-MINISTRY ADMINISTERED INDUSTRIES WERE BOTH REPORTED TO HAVE EXCEEDED THE ANNUAL PLAN, ALTHOUGH ANALYSIS OF INDUSTRIAL PRODUCTION FIGURES SUGGEST THAT PLAN TARGETS MAY HAVE BEEN REVISED DOWNWARD DURING THE COURSE OF THE YEAR. MORE THAN HALF OF THE PRODUCTION UNITS UNDER THE DIRECTION OF THE INDUSTRIAL MINISTRIES WERE REPORTED TO HAVE EXCEEDED PLANNED QUOTAS BY AT LEAST ONE PERCENT. THE PRODUCTION OF FINISHED CONSUMER PRODUCTS IN ALL AREAS OF INDUSTRY WAS REPORTED AT 3.1 PERCENT ABOVE PLAN.

3. AGRICULTURAL YIELDS WERE UP SHARPLY FROM DEPRESSED 1976 LEVELS FOR POTATOES, SUGAR BEETS, AND FEED CROPS. ONLY OIL SEEDS WERE REPORTED TO HAVE A LOWER YIELD IN 1977 THAN IN 1976. THE GRAIN YIELD OF ONLY 34.6 CENTNERS PER HECTARE RESULTED IN A TOTAL GRAIN PRODUCTION OF
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8.65 MILLION TONS, LOWER THAN PREVIOUS WESTERN ESTIMATES BUT ABOVE LAST YEAR'S HARVEST OF 8.2 MILLION TONS. THE LOW GRAIN HARVEST SIGNALS THE POSSIBILITY OF GREATER THAN ANTICIPATED GRAIN PURCHASES IN 1978 ADDING TO THE BURDEN IN FOREIGN TRADE. CALCULATED ON THE BASIS OF REPORTED YIELDS, 1977 AGRICULTURAL PRODUCTION FIGURES ARE AS FOLLOWS (IN METRIC TONS): POTATOES - 10,600,000; SUGAR BEETS - 8,300,000; AND OILSEEDS - 318,000. THE REPORT IS VAGUE ON MEAT, EGG, AND MILK PRODUCTION IN 1977, SUGGESTING POSSIBLE SHORTCOMINGS. IT DOES NOTE THAT 24 DISTRICTS (OUT OF A TOTAL OF 191) HAVE NOT FULFILLED THE ANNUAL PLAN FOR MEAT PRODUCTION AND 76 DISTRICTS HAVE FAILED TO MEET THE QUOTA FOR MILK PRODUCTION. HERDS OF CATTLE, MILK COWS, SWINE, AND SHEEP WERE REPORTED SLIGHTLY ABOVE 1976 LEVELS.

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4. FOREIGN TRADE GREW 7 PERCENT FOR THE YEAR, OR ONE-HALF OF THE 1976 RATE OF 14 PERCENT. THE BALANCE OF TRADE, WHICH WOULD PRESUMABLY SHOW A LARGE DEFICIT WITH BOTH EAST AND WEST, WAS NOT MENTIONED. TRADE WITH THE SOVIET UNION AND OTHER COMMUNIST COUNTRIES ROSE 10 PERCENT WHILE TRADE WITH DEVELOPING COUNTRIES GREW 14 PERCENT. THE REPORT EXPLAINED THAT TRADE WITH THE WEST HAD BEEN IMPEDED BY THE "CAPITALIST ECONOMIC CRISIS" AND TRADE RESTRICTIONS BY WESTERN COUNTRIES. NEVERTHELESS, THE GDR INCREASED INDUSTRIAL EXPORTS,
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ACCORDING TO THE REPORT, TO DENMARK, FINLAND, SWEDEN, THE FRG, THE NETHERLANDS, AUSTRIA, JAPAN AND THE U.S.

5. INVESTMENT, INCLUDING INVESTMENT IN CEMA PROJECTS,

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WAS REPORTED AT "OVER" 6 PERCENT, DOWN FROM 8 PERCENT IN 1976. OVER THE LAST SIX MONTHS OF 1977, THE RATE OF GROWTH IN INVESTMENT, WHICH HAD AMOUNTED TO 8 PERCENT IN THE FIRST HALF OF THE YEAR, APPARENTLY DROPPED SHARPLY TO PRODUCE THE YEAR-END FIGURE. INDUSTRIAL INVESTMENT GREW BY 9 PERCENT WITH OVER HALF IN RECONSTRUCTION AND MODERNIZATION OF PLANT AND EQUIPMENT.

6. THE ANNUAL PLAN FOR BOTH THE CONSTRUCTION AND THE BUILDING MATERIALS INDUSTRIES WERE REPORTED TO HAVE BEEN SLIGHTLY OVERFULFILLED, DESPITE THE FAILURE TO COMPLETE SOME UNNAMED INDUSTRIAL PROJECTS ON SCHEDULE AND THE BEHIND-SCHEDULE CONSTRUCTION OF APARTMENTS IN 52 DISTRICTS IN THE COUNTRY.

7. DISPOSABLE INCOME AND THE LEVEL OF RETAIL TRADE BOTH ROSE AT RATES GREATER THAN PLANNED IN 1977, SUSTAINING THE MOMENTUM OF RECENT YEARS AND IMPLYING A CONTINUING RISE IN THE LEVEL OF MATERIAL WELL-BEING. THE DIVERGENCE IN THE GROWTH RATES OF DISPOSABLE INCOME (5.4 PERCENT) AND THE LEVEL OF RETAIL TRADE (4.3 PERCENT) INDICATES THAT LIQUID ASSETS HELD BY CNTIZENS IN SAVINGS BANKS, WHICH AMOUNTED TO 80 BILLION MARKS AT THE END OF 1976, CONTINUED TO GROW IN 1977. INCREASES IN PENSIONS, WHICH ROSE 12.5 PERCENT OVER 1976, ACCOUNTED FOR MUCH OF THE ABOVE-PLAN INCREASES IN DISPOSABLE INCOME. BOLEN

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